

1 advertising about Defendants' own services in that DMV.ORG is (a) literally false
 2 (on its face or by necessary implication in the context of the traffic school and drivers
 3 education industry) OR (b) likely to mislead and confuse consumers. Southland Sod
 4 Farms v. Stover Seed Co., 108 F.3d 1134, *1139 (9th Cir. 1997).
 5 [Disputed on grounds that: (i) by referring generally to "Defendants' " "domain
 6 name, website, and related marketing" Plaintiffs illustrate their own fundamental
 7 failure to identify the advertisement or even defendant at issue in this case, making
 8 any regular false advertising analysis difficult; (ii) Plaintiffs then mix into one
 9 finding two distinct tests for false advertising: advertising that is literally false and
 10 advertising likely to mislead; (iii) there is no case for literal falsity here where there
 11 is no express claim of affiliation and mere use of a generic abbreviation;
 12 (iv) Plaintiffs failed to prove that the advertisement is likely to mislead a significant
 13 number of reasonably prudent consumers.]

14 3. The advertisements in this case are sufficiently clear and unambiguous
 15 that the message being conveyed (i.e., that DMV.ORG is owned or affiliated with an
 16 official DMV) is obvious, and the Court thus not need base its decision on evidence
 17 of consumer reaction at all. Better Business Bureau Inc. v. Medical Directors Inc.,
 18 681 F.2d 397 (5th Cir. 1982)(affirming the lower court's enjoining of ads that
 19 misleadingly implied that a weight reduction program was approved by the Better
 20 Business Bureau).

21 [Disputed on grounds that: (i) by this finding, Plaintiffs ask this Court to unmoor its
 22 decision from any analysis of the likelihood that an advertisement will mislead and
 23 instead summarily conclude that the use of the generic abbreviation DMV is false
 24 advertising; in this context, it is worth noting that the Better Business Bureau case
 25 was on appeal of a preliminary injunction, where full evidence was not available and
 26 where a non-generic mark was at issue; and (ii) the Better Business Bureau case
 27 which Plaintiffs rely on in fact illustrates Defendants' contentions that this is a false
 28 association case, not a false advertising case, and that the owner of a mark should

1 be the one to sue (i.e., in that case BBB had clear false association standing). See
 2 Better Business Bureau, Inc. v. Medical Directors, Inc., 681 F.2d 397 (5th Cir. 1982)
 3 (BBB has plain standing to pursue false association case); compare Merck & Co.,
 4 Inc. v. Mediplan Health Consulting, Inc., 425 F.Supp.2d 402, 417 (S.D.N.Y. 2006)
 5 ("false advertising claims based on allegations of implied government approval have
 6 not been allowed").]

7 4. A website's domain name, such as DMV.ORG, signifies its source of
 8 origin and is, therefore, an important signal to Internet users who are seeking to
 9 locate web resources. See, e.g., PACCAR Inc. v. Telescan Tech. LLC, 319 F.3d 243,
 10 250 (6th Cir.2003) [citing cases, including: People for the Ethical Treatment of
 11 Animals v. Doughney, 263 F.3d 359, 366 (4th Cir.2001) ("The domain name
 12 peta.org simply copies PETA's Mark,conveying the message that it is related to
 13 PETA."); Brookfield 174 F.3d at 1055, 1066 ("The domain name is more than a mere
 14 address: like trademarks, second-level domain names communicate information as to
 15 source.. ."); Panavision, 141 F.3d 1316, 1327("We reject [the] premise that a domain
 16 name is nothing more than an address. A significant purpose of a domain name is to
 17 identify the entity that owns the web site.")].

18 [*Irrelevant because the finding itself again demonstrates that this is a*
 19 *trademark-type "origin" case, not a false advertising case about the mere "nature,*
 20 *qualities, characteristics, or geographic origin."* Plaintiffs lack standing to pursue
 21 *false association under (a)(1)(A) because they have no interest in the mark.*

22 Compare e.g. People for the Ethical Treatment of Animals v. Dougherty, 263 F.3d
 23 359, 366 (4th Cir. 2001) (PETA has plain standing to sue for alleged improper use
 24 of PETA in domain).]

25 5. Defendants have acted, at the least, with indifference as to the truth of
 26 their advertising; thus it is presumed (without reliance on actual deception or
 27 tendency to deceive) that Defendants accomplished the intended purpose to deceive.
 28 U-Haul Intern., Inc. v. Jartran, Inc. , 522 F.Supp. 1238, 1254 (D.C.Ariz., 1981), aff'd,

1 681 F.2d 1159 (9th Cir. 1982) (“although [the defendant] may not have set out
 2 deliberately to develop a misleading advertising campaign . . . , the strategy it adopted
 3 as the basis for its campaign created a substantial risk of misleading the public, a risk
 4 that was called to [the defendant’s] attention on several occasions. Nonetheless, [the
 5 defendant] did nothing to insure that the misleading potential of its strategy did not
 6 materialize”); U-Haul International Inc. v. Jartran Inc., 793 F.2d 1034, 1041 (9th
 7 1986) (“The expenditure by a competitor of substantial funds in an effort to deceive
 8 consumers and influence their purchasing decisions justifies the existence of a
 9 presumption that consumers are, in fact, being deceived. He who has attempted to
 10 deceive should not complain when required to bear the burden of rebutting a
 11 presumption that he succeeded.”); Oil Heat Institute of Oregon v. Northwest Natural
 12 Gas, 708 F.Supp. 1118, 1126 (D.Or.,1988)(on the plaintiff’s motion for summary
 13 judgment, a trier of fact could find that defendant intended to create a false
 14 impression on basis of evidence that defendant knew that its statement was not true
 15 with respect to all recipients, but made no attempts to clarify it).

16 *[Disputed on grounds that: (i) Plaintiffs again ask this Court to short-circuit the
 17 false advertising analysis, this time based upon a specious allegation of intentional
 18 misconduct; (ii) the evidence in this case showed that from day one DMV.ORG has
 19 had disclaimers and clarifying language on every page of its website, without any
 20 affirmative misrepresentation; by looking at the behavior of others in the industry,
 21 including Plaintiffs themselves (who make no disclaimers), DMV.ORG's conduct
 22 cannot fairly be construed as intentionally misleading. Contrast U-Haul v. Jartran,
 23 Inc., 522 F.Supp. 1238, 1254 (D.Az. 1981) (defendant "did nothing" to mitigate
 24 confusion); and Oil Heat Institute of Oregon v. Northwest Natural Gas, 708 F.Supp.
 25 1118, 1126 (D.Or. 1988) (on summary judgment, merely noting that fact that
 26 defendant made "no attempts to clarify" could weigh against defendant).]*

27 6. **DMV.ORG actually deceived or has the tendency to deceive a**
 28 **substantial segment of its audience.** Southland Sod Farms v. Stover Seed Co.,108

1 F.3d 1134, *1139 (9th Cir. 1997); U-Haul Intern., Inc. v. Jartran, Inc., 601 F.Supp.
 2 1140, 1149 (D.C.Ariz. 1984), aff'd in part, rev'd in part on other grds, mod. in part on
 3 other grds., 793 F.2d 1034 (9th Cir. 1986) ("Consumer reliance . . . can be shown by
 4 direct evidence such as testimony from individual members of buying public, or by
 5 circumstantial evidence, such as surveys of buying public."); Cuisinarts, Inc. v.
 6 Robot-Coupe International Corp., 509 F.Supp. 1036 (S.D.N.Y. 1981)(if tendency to
 7 deceive is obvious, court may so determine without reference to recipients'
 8 reactions); Better Business Bureau Inc. v. Medical Directors, Inc., 681 F.2d 397 (5th
 9 Cir. 1982)(direct evidence of specific persons who were the target of Defendants'
 10 misrepresentations and who were deceived may be sufficient to establish deception
 11 and may even be the best means of establishing it, rather than survey evidence).

12 [Disputed on grounds that: (i) Plaintiffs refuse to acknowledge that confusion must
 13 be by consumers who are "reasonably prudent;" see Cairns v. Franklin Mint Co., 24
 14 F.Supp. 2d 1013 (C.D.Cal. 1998) ("reasonable consumer" vantage point required);
 15 (ii) there is no proof of actual deception of a "substantial segment;" confusion
 16 evidence is anecdotal and statistically insignificant across one million visitors per
 17 week (e.g., one driver's ed student); compare Johnson & Johnson-Merck Consumer
 18 Pharmaceuticals Co. v. Rhone-Poulenc Rorer Pharmaceuticals, 19 F.3d 125 (3rd
 19 Cir. 1994) (7.5% found not substantial) and McCarthy on Trademarks, section
 20 32:193 (4th ed.) (reliable survey evidence required in false advertising cases); (iii)
 21 the Maronick survey is not reliable because of its numerous flaws.]

22 7. The Court finds that Dr. Maronick's surveys addressed to consumer
 23 perception are probative on the ultimate question of whether consumers were and are
 24 likely to be materially deceived by the DMV.ORG website and search engine links
 25 Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1142 -1143 (9th Cir. 1997);
 26 McNeilab Inc. v. American Home Products Corp., 501 F.Supp. 517 (S.D.N.Y.
 27 1980)(qualitative rather than quantitative determination is enough to support
 28 conclusion that advertisement tends to mislead).

1 [Disputed on the grounds that the Maronick surveys are unreliable because of the
 2 numerous survey errors including the failure to use a control, the failure to instruct
 3 respondents not to guess, the failure to mimic a visitor's actual experience through
 4 the use of improper stimuli and dissection of DMV.ORG into component parts, the
 5 use of leading questions, and the combination of key questions on the same page.
 6 Simon Prop. Group L.P. v. mySimon, Inc., 104 F.Supp.2d 1033 (S.D. Ind. 2000)
 7 (survey excluded; survey "must consist of non-leading questions"); NFL Props., Inc.
 8 v. Prostyle, Inc., 57 F. Supp. 2d 665, 668-69 (D. Wis. 1999) (excluding survey
 9 evidence for failure to include a control); Nat'l Distillers Prods. Co. v. Refreshment
 10 Brands, Inc., 198 F.Supp. 2d 474, 484 (S.D.N.Y. 2002) (no weight where survey did
 11 "not sufficiently replicate marketplace conditions"); and Major League Baseball
 12 Properties, Inc. v. Sed Non Olet Denarius, Ltd., 817 F. Supp. 1103, 1123-24
 13 (S.D.N.Y. 1993) (holding survey data "meaningless and having no evidentiary value"
 14 due to leading questions and failure to use controls).]

15 8. The deception related to DMV.ORG is material, in that it is likely to
 16 influence the purchasing decision [i.e., to purchase traffic school and drivers ed
 17 services referred from DMV.ORG]. Southland Sod Farms v. Stover Seed Co., 108
 18 F.3d 1134, *1139 (9th Cir. 1997); In re Cliffdale Ass'n, Inc., 3 Trade Reg Rptr
 19 (CCH) ¶22,137 (FTC Ckt 9156 1984) (it is presumed that misleading testimonials or
 20 endorsements would have a tendency to mislead consumers into making buying
 21 decisions that otherwise might not be made).

22 [Disputed on the grounds that: (i) Plaintiffs again seek a presumption, this time of
 23 materiality, that is entirely unwarranted; (ii) Plaintiffs failed to carry their burden to
 24 establish materiality; instead, the facts show that the alleged perceived affiliation is
 25 not material; rather, of critical importance is simply whether the course will satisfy
 26 the government requirement - no evidence suggests that endorsement by a state
 27 agency of one acceptable course over another would be material (Maronick
 28 conceded he did not even test this thesis); of significant additional importance are

1 *price and convenience; Plaintiffs themselves believed, contrary to the materiality*
 2 *thesis, that DMV.ORG's traffic was "unqualified" (i.e., unlikely to produce a sale);*
 3 *and, conversion data shows that DMV.ORG's traffic converts to purchasers at a*
 4 *lower rate than Plaintiffs' own traffic (both before and after changes to the website),*
 5 *undermining the materiality thesis. Cf. Pizza Hut, Inc. v. Papa John's Intern., Inc.*
 6 *227 F.3d 489, 504 (5th Cir. 2000) (plaintiff failed to prove that misleading slogan*
 7 *"Better Ingredients, Better Pizza" was material to the purchasing decision).]*

8 9. In this case, it is obvious that the misrepresentations concern a quality or
 9 characteristic of a service (DMV approved/affiliated) which would influence the
 10 decision of a purchaser of traffic school or drivers education courses. See, e.g., Oil
 11 Heat Institute of Oregon v. Northwest Natural Gas, 708 F.Supp. 1118, 1123
 12 (D.Or.,1988)(“A factfinder could reasonably conclude that information regarding the
 13 amount of maintenance required for natural gas equipment is likely to influence the
 14 purchasing decisions of consumers.”).
 15 [Disputed on the grounds that: (i) Plaintiffs mis-define this case when they assert
 16 that the alleged affiliation goes to a "quality" or "characteristic" of the service - the
 17 alleged wrong is one of source or endorsement (1125(a)(1)(A)), not a
 18 quality/characteristic of the services (1125(a)(1)(B)); Plaintiffs at this stage of the
 19 case bear the burden of proof and are no longer entitled to the lenient 12(b)(6)
 20 pleading standards; and (ii) Plaintiffs then urge this Court to assume materiality,
 21 relying upon a case in which a district court merely denied defendants' motion for
 22 summary judgment on grounds that one of the accused advertisements could be
 23 construed as material (not finding that it was in fact actually false). See Oil Heat
 24 Institute, 708 F.Supp. at 1123.]

25 10. Plaintiffs are required only to show that the misrepresentations made by
 26 Defendants are “likely” to influence purchasers; not that a purchasing decision
 27 turned solely on the Misrepresentations. See, e.g., Williams Electronics Inc. v Bally
 28 Manufacturing Corp., 568 F.Supp 1274 (N.D. Ill. 1983) (evidence that misleading

1 promotional material was distributed only to members of trade who were
 2 sophisticated and who did not make purchasing decisions solely on basis of
 3 promotional material would not preclude finding that such persons relied on
 4 promotional material to some extent and could be influenced by it).

5 *[Disputed on the grounds that Ninth Circuit precedent requires the allegedly*
 6 *misleading material to be material to the purchasing decision. Southland Sod Farms*
 7 *v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997). Accord ALPO Petfoods v.
 8 Ralston Purina Co., 913 F.2d 958, 964 (D.C. Cir. 1990) (false or misleading
 9 *advertisements must be “material in their effects on buying decisions”); Taquino v.
 10 Teledyne Monarch Rubber, 893 F.2d 1488, 1500 (5th Cir. 1990) (deception must be*
 11 *“material, in that it is likely to influence the purchasing decision”); American Tel. &*
 12 *Tel. Co. v. Winback & Conserve Program*, 42 F.3d 1421, n.9 (3d Cir. 1994) (plaintiff
 13 *alleging false advertising must prove that “the deception is material in that it is*
 14 *likely to influence purchasing decisions”).*

15 11. **Defendants caused their false statements to enter interstate commerce.**

16 Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, *1139 (9th Cir. 1997);
 17 Intermatic Inc. v. Toeppen, 947 F.Supp. 1227, 1239-40 (N.D. Ill. 1996)(finding
 18 internet communications to meet the “in commerce” requirement).

19 *[Disputed only as to whether there were false statements.]*

20 12. **Plaintiffs have been or are likely to be injured as a result of the false**
 21 **statements by direct diversion of sales from themselves to Defendants.** Southland
 22 Sod Farms v. Stover Seed Co., 108 F.3d 1134, *1139 (9th Cir. 1997); Oil Heat
 23 Institute of Oregon v. Northwest Natural Gas, 708 F.Supp. 1118, 1123 -1124
 24 (D.Or.,1988)(the court found sufficient that the plaintiff had produced evidence from
 25 which it could be found that the parties were competitors and that sales by the
 26 defendant would necessarily represent a loss of business to the plaintiff); Mortellito v.
 27 Nina of California Inc., 335 F.Supp 1288 (S.D.N.Y 1972) (plaintiff and defendant
 28 were indirect competitors where their products were similar).

1 [Disputed on the grounds that Plaintiffs have offered no evidence correlating any
 2 alleged injuries with the DMV.ORG website. Plaintiffs and Defendants are not in
 3 the same business. Plaintiffs' subjective belief of injury is insufficient. Century 21
 4 Real Estate Corp. v. Re/Max South County, 882 F.Supp. 915, 924-25 (C.D. Cal.
 5 1994) (plaintiff's false advertising claim failed since it could not prove "a logical
 6 causal connection between the alleged false advertising and its own sales position";
 7 plaintiff's "mere subjective believe that he will be injured" deemed insufficient);
 8 Bateman v. Por-ta Target, Inc., 2004 U.S. Dist. Lexis 28487, *65 (C.D. Cal. 2004)
 9 (summary judgment granted as to false advertising counterclaim for failure to show
 10 specific harm or causal connection to alleged false advertising).]

13. Plaintiffs have standing in that both Plaintiffs and Defendants are using
 the same type of search engine marketing to attract the same consumers (i.e., those
 interested in traffic school and drivers education courses) to their respective websites
 which allow consumers, *inter alia*, to then purchase, either directly or from a third
 party affiliate, a traffic school or driving school course. Plaintiffs and Defendants
 both realize business revenue from the sale of traffic school and drivers education
 courses in this way, and in some instances uses the same third party affiliate to
 provide the service. This is sufficient to confer competitor standing as both parties
 "vie for the same dollars from the same consumer group" and Plaintiffs are thus
 likely to be injured. 15 U.S.C. § 1125(a)(1)(providing that one who false advertises
 "shall be liable in a civil action by any person who believes he or she is or is likely to
 be damaged. . ."; Jack Russell Terrier Network of N. California v. Am. Kennel Club,
 407 F.3d 1027, 1037 (9th Cir. 2005); Nat'l Servs. Group v. Painting & Decorators
Contractors of Am., No. SACV06-563CJC(ANX), 2006 WL 2035465, at *3-*4
 (C.D. Cal. July 18, 2006); Kournikova v. Gen. Media Commc'ns, 278 F. Supp. 2d
 1111, 1117-18 (C.D. Cal. 2003); Coastal Abstract Serv., Inc. v. First Am. Title Ins.
Co., 173 F.3d 725, 734 (9th Cir. 1999); W. States Wholesale, Inc. v. Synthetic Indus.,
 Inc., 206 F.R.D. 271, 276 (C.D. Cal. 2002); Summit Tech., Inc. v. High-Line Med.

1 Instruments, Co., 933 F.Supp. 918, 939 (C.D. Cal. 1996).

2 *[Disputed on the grounds that a broad theory of standing based upon mere common*
 3 *purchase of keywords is inconsistent with 9th Circuit law and demonstrates the*
 4 *desperate state of Plaintiffs' standing. Fuller Bros., Inc. v. Int'l Mktg., Inc., 870*
 5 *F.Supp. 299, 303 (D.Or. 1994) (competitors are "persons endeavoring to do the*
 6 *same thing and each offering to perform the act, furnish the merchandise, or render*
 7 *the service cheaper than his rival"). If the Court were to adopt plaintiffs' standing*
 8 *argument, "any two parties with some economic nexus, or whose conduct has some*
 9 *economic effect upon the other, could be construed as 'competitors' and there would*
 10 *be no need for distinction in the standing requirements between a false advertising*
 11 *claim . . . and a false association claim," contrary to Ninth Circuit precedent. Sugai*
 12 *Products, Inc. v. Kona Kai Farms, Inc., 1997 WL 824022, *11 (D.Hawaii 1997)*

13 *(quoting Summit Technologies v. High-Line Medical Instruments, Co., 933 F.Supp.*

14 *918 (C.D. Cal. 1996)).]*

15 14. Each named Defendant is in some significant respect responsible for
 16 DMV.ORG and connecting domains, websites, and marketing and are thus jointly
 17 and severally liable under the theories of direct (as owners and officers) and joint
 18 liability. See, J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR
 19 COMPETITION, § 25:23 [4th Edition 2006] stating, the “use of the word ‘conspiracy’”
 20 is merely another way of describing a concert of action and intent which will extend
 21 tort liability beyond the active wrongdoer to those who merely planned, assisted or
 22 encouraged his acts, and citing to numerous cases, including Transgo, Inc. v. Ajac
 23 Transmission Parts Corp., 768 F.2d 1001 (9th Cir. 1985), cert. denied, 474 U.S. 1059
 24 (1986)(corporate officer or director is personally liable for all infringing acts which
 25 he authorizes or directs or in which he participates; liability found); Corning Glass
 26 Works v. Jeannette Glass Co., 308 F. Supp. 1321 (S.D.N.Y. 1970), aff'd, 432 F.2d
 27 784 (2nd Cir. 1970); Hard Rock Café Licensing Corp. v. Concession Services, Inc.,
 28 955 F.2d 1143, 1768 (7th Cir. 1992); American Philatelic Soc'y v. Claibourne, 3 Cal.

1 2d 689, 46 P.2d 135 (1935)(in cases of unfair competition, one who induces another
 2 to commit fraud and furnishes the means is equally guilty); Data Digests, Inc. v.
 3 Standard & Poor's Corp., 43 F.R.D. 386 (D.N.Y. 1967). David Berg & Co. v. Gatto
 4 International Trading Co., 884 F.2d 306 (7th Cir. 1989)(“Because unfair competition
 5 and trademark infringement are tortious, the doctrine of joint tortfeasors does apply.
 6 ... Every person actively partaking in, lending aid to, or ratifying and adopting such
 7 acts is liable equally with the party itself performing these acts.”); Babbit
 8 Electronics, Inc. v. Dynascan Corp., 38 F.3d 1161, 1184, 33 U.S.P.Q.2d 1001, 1018
 9 (11th Cir. 1994) (found liable were corporate officers who directed, controlled,
 10 ratified or participated in, or were the moving force behind, infringing activity. These
 11 persons are personally liable “without regard to piercing of the corporate veil.”).
 12 [Disputed on the grounds that Plaintiffs failed to offer any evidence demonstrating
 13 an intent to engage in false advertising or plan to assist in false advertising on
 14 behalf of each of the named Defendants. See Defendants' Motion for Judgment on
 15 Partial Findings; compare Transgo, Inc. v. Ajac Transmission Parts, 768 F.2d 1001,
 16 1021 (9th Cir. 1985) (president's individual liability affirmed where evidence amply
 17 demonstrated "instrumental role" of president in "copying" plaintiffs products and
 18 "marketing the imitations as if they were Transgo's products"); and Donsco, Inc. v.
 19 Casper Corporation, 587 F.2d 602 (3rd Cir. 1978) (personal liability of owner found
 20 where owner delivered plaintiff's certificate of authenticity to designer for copying);
 21 and Babbit Electronics, Inc. v. Dynascan Corp., 38 F.3d 1161, 1184 (11th Cir. 1994)
 22 (personal liability found where individuals admitted they were personally involved in
 23 purchase and sale of infringing products after receipt of notice by plaintiff that such
 24 conduct was in violation of plaintiff's rights).]

25 B. Legal Conclusions Regarding Various Defenses

26 15. Plaintiffs' claim rightly sounds in false advertising. See e.g.,
 27 Performance Indus. Inc. v. Koos. Inc., 18 U.S.P.Q.2d 1767, 1770-71 (E.D. Pa.
 28 1990)(a false claim that a product has Environmental Protection Agency approval is

1 a violation of § 43(a)); William H. Morris Co. v. Group W. Inc., 66 F.3d 255, 257-58
 2 (9th Cir. 1995)(The Lanham Act reaches not only blatant falsehoods, but also
 3 innuendo, indirect intimations and ambiguous suggestions); U-Haul Intern., Inc. v.
 4 Jartran, Inc., 681 F.2d 1159, 1161-62 (9th Cir. 1982); Schroeder v. Lotito, 577
 5 F.Supp. 708, 721 (D.C.R.I.,1983); Better Business Bureau Inc. v. Medical Directors
 6 Inc., 681 F.2d 397 (5th Cir. 1982)(false implication of agency's approval on the face
 7 of advertisement); CPC Intern., Inc. v. Caribe Food Distributors, 731 F.Supp. 660,
 8 670 (D.N.J.,1990)(manufacturer of a corn oil could prevail on its claim under § 43(a)
 9 if it could prove that the sentence that appeared on the back of the bottle implying the
 10 oil was approved the United States government had a tendency to deceive – the
 11 manufacturer was not required to show actual deception); Birthright v. Birthright
 12 Inc., 827 F.Supp. 1114, 1138 (D. N.J. 1993)(held that the incorporation in fund-
 13 raising letters sent out by organization of another's service mark supported false
 14 advertising claim because donors may have chosen not to make contributions if they
 15 knew that the donations were going only to the defendant).

16 *[Disputed on the grounds that Plaintiffs' claim is really a false endorsement claim*
 17 *brought under the guise of a false advertising claim. See Third Amended Complaint,*
 18 *¶ 31 ("sanctioned by or affiliated with" the state). Each of the implied approval*
 19 *cases relied upon by Plaintiffs relate to mere EPA or FDA approval of a product*
 20 *implying safety or efficacy, without any suggestion that the EPA or FDA either*
 21 *endorsed or was affiliated with the manufacturer of the product. See e.g. Cottrell,*
 22 *Ltd. v. Biotrol Int'l, Inc.*, 191 F.3d 1248, 1255-56 (10th Cir. 1999) (*implied claim of*
 23 *EPA approval of efficacy claim actionable*). *To the extent that Plaintiffs' claim is*
 24 *one of implied endorsement/affiliation, it fails as a matter of law. Mylan Labs, Inc.*
 25 *v. Matkari*, 7 F.3d 1130 (4th Cir. 1993) (*false advertising claims failed to due to lack*
 26 *of express claim of government approval*); Merck & Co., Inc. v. Mediplan Health
 27 Consulting, Inc., 425 F.Supp. 2d 402, 417 (S.D.N.Y. 2006) (*"false advertising claims*
 28 *based on allegations of implied governmental approval have not been allowed, for*

1 ‘the law does not impute representations of government approval . . . in the absence
2 of explicit claims.’’).]

3 16. Simply because the domain name DMV.ORG was available for
4 registration does not make such registration legal where the use of the domain name
5 in the context of the website and search engine marketing is false and misleading or
6 otherwise actionable. Zipee Corp. v. U.S. Postal Service, 140 F.Supp.2d 1084
7 (D.Or.,2000) (owner of “postal-service.com” had violated the anti-cybersquatting
8 statute by registration of the United States Postal Service’s “postal service” mark,
9 even though domain name was open for registration).

10 [Disputed on grounds that: (i) *Online Guru* has never suggested that the mere
11 availability of the domain is a defense in this case; (ii) the Zipee case, supra, aptly
12 illustrates the absence of standing in the present case; compare the U.S. Post Office
13 in that case - with a plain interest in the descriptive mark - and Plaintiffs in the
14 present case - with no rights in the term DMV; the analogous situation would be
15 where a competitor of a mere advertiser on the Zipee website were given standing to
16 sue Zipee for its use of the domain.]

17 17. Simply because many states utilize the DMV acronym does not mean
18 that the acronym is “generic” and cannot be used in a misleading manner.
19 Trademarks do, as a matter of trademark law, have geographic limitations that are
20 dictated by the geographic reach of the trademark’s use; moreover, even generic
21 trademarks cannot be used as the vehicle for false advertising. Pennsylvania State
22 University v. University Orthopedics, Ltd., 706 A.2d 863, 868 (Pa.Super.1998)
23 (University was not required to prove exclusive use of term “university” to support
24 its cause of action for unfair competition under the Lanham Act where “consumer
25 confusion or a likelihood of consumer confusion arose from the failure of the
26 defendant to adequately identify itself as the source of the product.”).
27 [Disputed on grounds that again the case relied upon by Plaintiffs demonstrates the
28 lack of Plaintiffs standing. In Pennsylvania State University, supra, an entity with an

1 interest in the mark "University" filed suit. In the present case, whether the term
2 DMV is generic or descriptive is irrelevant: Plaintiffs have no interest in the term
3 DMV.]

4 18. Plaintiffs' false advertising claim in this case is not dependent on the
5 actions or inactions of others (including state DMV agencies) related to this suit.
6 Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, *1139 (9th Cir. 1997).
7 [Disputed on the grounds (i) these entities are the ones that would have an interest
8 in the matter; and (ii) the inaction of all of the states is probative. In fact, despite the
9 letters Plaintiffs sent encouraging states to join their lawsuit, no state joined and the
10 state of Georgia responded that it found nothing misleading on DMV.ORG and
11 Pennsylvania entered a linking agreement with DMV.ORG. 11/7 TT 88:25-89:6; TE
12 58, 659.]

13 19. The alleged disclaimers on DMV.ORG are ineffective and thus cannot
14 support a defense to false advertising. See, e.g., Tambrands Inc. v. Warner-Lambert
15 Co., 673 F.Supp. 1190, 1194 (S.D.N.Y. 1987)(“I find that the thrust of defendants’
16 advertisements is false, and that even the qualifying words added to the advertising
17 copy do not sufficiently modify the message to render the advertisements true.”);
18 Thompson Medical Co. v. Ciba-Geigy Corp., 643 F.Supp. 1190, 1197 (S.D.N.Y.
19 1986)(disclaimers printed beside bar graph were not sufficient to prevent graph from
20 conveying false message).

21 [Disputed. Plaintiffs have offered no proof that the current conspicuous and
22 numerous disclaimers are insufficient to provide notice to reasonably prudent
23 consumers. To the contrary, Lisa Warren, one of Plaintiffs' few witnesses, testified
24 that the current logo license plate is "not confusing." 11/7 TT 136:24-137:20; see
25 e.g. Taubman v. Webfeats, 319 F.3d 770, 777 (6th Cir. 2003) (Defendant's
26 disclaimer on its website, www.shopsatwillowbend.com, indicating that it was not
27 the official website for Plaintiff's mall, "The Shops at Will Bend," negated likelihood
28 of consumer confusion.). If the Court finds these conspicuous and redundant

1 *disclaimers insufficient, then it will redefine and dramatically expand the court's
2 supervisory role over U.S. businesses and invite further litigation.]*

3 20. **The Court finds that Plaintiffs claims are not barred by the equitable
4 doctrines of unclean hands or laches.**

5 *[Although in many cases, claims of laches and unclean hands are without merit, this
6 case is an exception. Here, Plaintiffs have intentionally and continue to engage in
7 conduct which is demonstrably worse than that of which they complain. Moreover,
8 they unreasonably delayed this suit, instead choosing to seek to do business with
9 DMV.ORG.]*

10 21. **Unclean Hands is not applicable in false advertising cases where the
11 public is being deceived as an injunction is always available. “That is, if the
12 evidence shows that plaintiff is engaging in inequitable practices, but defendant is
13 also guilty of the unfair competition charged, an injunction should be granted
14 notwithstanding the unclean hands maxim. It is better to remedy one wrong than to
15 leave two wrongs at large. If defendant thinks that plaintiff is guilty of inequitable
16 conduct, he should raise it in a counterclaim or in a separate suit against plaintiff.”**

17 See, J. THOMAS McCARTHY, McCARTHY ON TRADEMARKS AND UNFAIR
18 COMPETITION, § 31:53, Volume 6 (4th Ed. 2007)(hereafter “MCCARTHY”), citing
19 cases, including, the Ninth Circuit’s U-Haul International, Inc. v. Jartran, Inc., 522 F.
20 Supp. 1238 (D. Ariz. 1981), aff’d, 681 F.2d 1159, 216 U.S.P.Q. 1077 (9th Cir. 1982)
21 (*unclean hands is a disfavored defense in false advertising cases.*)” Republic
22 Molding Corp. v. B. W. Photo Utilities, 319 F.2d 347 (9th Cir. 1963)(Unclean
23 hands, then, does not stand as a defense that may be properly considered independent
24 of the merits of the plaintiffs claim...its assertion does not eliminate the need for the
25 court to ascertain the soundness of the plaintiff’s claim . . . the relative extent of each
26 party’s wrong upon the other and upon the public should be taken into account and
27 an equitable balance struck.”).

28 *[Disputed on the grounds that equitable defenses are trumped “only when the suit*

1 concerns allegations that the product is harmful or otherwise a threat to public
 2 safety and well being.” Jarrow Formulas, Inc. v. Nutrition Now, Inc., 304 F.3d 829,
 3 841 (9th Cir. 2002). Further, “[t]he unclean hands doctrine provides a defense to
 4 false advertising claims under the Lanham Act.” Emco v. Obst, 2004 U.S. Dist.
 5 Lexis 12118, *12-13 (C.D. Cal. 2004); Japan Telecom, Inc. v. Japan Telecom Am., Inc.,
 6 287 F.3d 866, 870 (9th Cir. 2002) (expressly recognizing the availability of the
 7 unclean hands defense to false affiliation claims).]

8 22. It is well-settled law that “Plaintiffs position must be judged by the facts
 9 existing as they were when suit was begun, not by the facts existing in an earlier
 10 time.” MCCARTHY § 3 1:55, citing Coca-Cola Co. v. Koke Co. of America, 254
 11 U.S. 143 (1920); Q-Tips. Inc. v. Johnson & Johnson, 108 F. Supp. 845 (D.N.J. 1952)
 12 (misrepresentations of plaintiff stopped before suit filed); Finchley. Inc. v. Finchly
 13 Co., 40 F.2d 736 (D. Md. 1929) (allegedly deceptive advertising discontinued several
 14 years before suit filed). “Even if plaintiffs conduct existed at the time of filing suit, if
 15 that conduct has been rectified by the time of judgment, unclean hands may be no
 16 defense.” Fund of Funds. Ltd. v. First American Fund of Funds, 274 F. Supp. 517
 17 (S.D.N.Y. 1967).

18 [Plaintiffs have not ceased the conduct which constitutes unclean hands, for
 19 instance: (i) they continue to use state indicia on their DrivingLinks.com and
 20 FloridaTrafficSchool.com websites; and (ii) they continue to own DMV domain
 21 names (dmvapprovedtrafficschool.com, internet-dmv.org, online-dmv.org, etc.).]

22 23. In order for unclean hands to be used as a defense the conduct alleged to
 23 be wrongful by the defendant must be relevant to Plaintiff’s claim. “For example, an
 24 alleged infringer of plaintiffs protectable restaurant trade dress argued that plaintiff
 25 was guilty of unclean hands in falsely advertising its hamburger meat as “ground
 26 steak.” The court held that even assuming that the ad was false, the misstatement
 27 was not material to the subject matter of the litigation and did not constitute an
 28 unclean hands defense. MCCARTHY § 31:51, citing Fuddruckers. Inc. v. Doc’s

1 B.R. Others, Inc. 826 F.2d 837 (9th Cir. 1987), also citing, Republic Molding Corp.
2 v. B. W. Photo Utilities, 319 F.2d 347 (9th Cir. 1963) (false marking of article as
3 patented before plaintiff actually obtained a patent held unrelated to action for
4 simulation of that article)."

5 24. **"The defense of laches is trumped by a strong showing of likely**
6 **confusion of he public."** MCCARTHY § 31:41; See, e.g. ProFitness Physical
7 Therapy Center v. Pro-Fit Orthopedic and Sports Physical Therapy P.C., 314 F.3d 62
8 (2d Cir. 2002)(“[A] court may nonetheless grant injunctive relief if it determines that
9 the likelihood of confusion is so great that it outweighs the effect of plaintiff’s
10 delay.”).

11 *[Disputed on the grounds that Ninth Circuit case law makes clear that equitable*
12 *defenses are trumped only where the related causes of action raise allegations*
13 *concerning a threat to public safety and well being. Jarrow Formulas, Inc. v.*
14 *Nutrition now, Inc., 304 F.3d 829, 841 (9th Cir. 2002) (affirming summary judgment*
15 *against plaintiff’s false advertising claim based on laches, finding that "the public's*
16 *interest will trump laches only when the suit concerns allegations that the product is*
17 *harmful or otherwise a threat to public safety and well being"). Further, there is no*
18 *“strong showing” of likely confusion - only statistically insignificant confusion and*
19 *an unreliable survey.]*

20 25. **"Laches should not necessarily always be measured from defendant's**
21 **very first use of the contested mark, but from the date that defendant's acts first**
22 **significantly impacted on plaintiffs good will and business reputation."**

23 MCCARTHY § 31:19-20.

24 *[Disputed. See Grupo Gigante SA De CV v. Dallo & Co., Inc., 391 F.3d 1088, 1101*
25 *(9th Cir. 2004) (laches based on four year delay). Defendants presented significant*
26 *evidence that Plaintiffs carefully considered responses to DMV.ORG in 2002,*
27 *including the immediate registration of DrivingLinks.com and efforts to recover a*
28 *domain name; Plaintiffs re-encountered DMV.ORG in 2003 and still took no action.]*

1

2 **C. Legal Conclusions Regarding Unfair Competition Under B&P Code**
 3 **§ 17200 et seq.**

4 26. Defendants' conduct constitutes a violation of California's Unfair
 5 Competition Law because it squarely falls within the definition. California Business
 6 and Professions Code §17200 (The "UCL"). The UCL is sweeping in nature and
 7 includes "... any unlawful, unfair, or fraudulent business act or practice and unfair,
 8 deceptive, untrue or misleading advertising and any act prohibited by Chapter 1
 9 (commencing with Section 17500) of Part 3 of Division 7 of Business and
 10 Professions Code." Section 17200 thus "borrows" violations from other laws by
 11 making them independently actionable as unfair competitive practices. Cel-Tech v.
 12 Los Angeles Cellular, 20 Cal.4th 163, 180 (1999). In addition, under section 17200,
 13 "a practice may be deemed unfair even if not specifically proscribed by some other
 14 law." Cel-Tech, at p. 180; also see Korea Supply v. Lockheed Martin, 29 Cal. 4th
 15 1134, 1144 (2003).

16 [Disputed. Plaintiffs ignore the standing requirements under Cal. Bus. & Prof. Code
 17 section 17204, which specifically require both injury in fact and resulting loss of
 18 money or property. Plaintiffs have failed to carry their burden to establish either
 19 standing prong. For the same additional reasons that Plaintiffs' Lanham Act claims
 20 fail (failure to prove confusion, failure to prove materiality), Plaintiffs' 17500 claim
 21 also fails.]

22 27. In addition to the above, the Defendants' conduct constitutes unfair
 23 competition under California Law because it violates Cal. Civ. Code §1770(a)(2)(3)
 24 which prohibits misrepresenting the "source, sponsorship, approval, or certification
 25 of goods or services" or "affiliation, connection, or association with, or certification
 26 by, another". Defendants conduct also constitutes unfair competition because it
 27 violated Cal Vehicle Code §25 which makes it "unlawful for any person to display or
 28 cause or permit to be displayed any sign, mark, or advertisement indicating an

1 official connection with either the Department of Motor Vehicles...".
2 [Plaintiffs continue to assert these improper bases for 17200 which were not pleaded
3 and are not therefore properly before this Court. See Third Amended Complaint, ¶¶
4 51-55 (17200 claim); and discussion in Defendants Memorandum of Fact and Law,
5 pp. 7-8; and Conley v. Gibson, 355 U.S. 41, 47-48 (1957) (complaint must give "fair
6 notice of the claim being asserted and the grounds upon which it rests").]

7 28. California's UCL and Section of 43a of the Lanham Act are
8 substantively substantially congruent. International Order of Job's Daughters v.
9 Lindeburg, 633 F. 2d 912, 916 (9th Cir. 1980) ("federal and state laws regarding
10 trademarks and related claims of unfair competition are substantially congruent.").
11 As such, by virtue of the Court's finding that Defendants have violated Section 43a
12 of The Lanham Act, Defendants are also in violation of California's UCL.

13 [Disputed to the extent that this Court construes the Lanham Act to require
14 something less than the statutory requirements for standing under Cal. Bus. & Prof.
15 Code section 17204. Section 17204 specifically precludes a private person from
16 bringing suit unless he has suffered "injury in fact and has lost money or property as
17 a result."]

18 29. Plaintiffs have standing under the UCL because they have been injured
19 and lost money as a result of Defendants' false advertising. Annunziato v.
20 Emachines, 402 F. Supp. 1133, 1137 (C.D. Cal. 2005)

21 [Disputed on grounds that Plaintiffs utterly failed to prove an injury in fact or that
22 they actually lost money as a result of some conduct by Defendants.]

23 D. Legal Conclusions Regarding Injunctive Remedies under the
24 Lanham Act

25 30. Under the Lanham Act, a district court has the "power to grant
26 injunctions, according to the principles of equity and upon such terms as the court
27 may deem reasonable ... to prevent the violation of subsection (a), (c), or (d) of
28 section 43 [§ 1125(a), (c), or (d)]." 15 U.S.C. § 1116(a). "Unless otherwise

1 provided by statute, all the inherent equitable powers of the District Court are
 2 available for the proper and complete exercise of that jurisdiction. [When] the public
 3 interest is involved in a proceeding of this nature, those equitable powers assume an
 4 even broader and more flexible character than when only a private controversy is at
 5 stake.” F.T.C. v. H.N. Singer, Inc., 668 F.2d 1107, 1112 (9th Cir. 1982), quoting
 6 Virginian R. Co. v. System Federation, 300 U.S. 515, 552 (1937). The Court finds
 7 that the public interest is critical to this lawsuit.

8 [Disputed on the grounds that the public interest is invoked only when the subject of
 9 the lawsuit implicates public safety and/or well being. Jarrow Formulas, Inc. v.
 10 Nutrition Now, Inc., 304 F.3d 829, 841 (9th Cir. 2002) (affirming summary judgment
 11 against plaintiff's false advertising claim based on laches, finding that "the public's
 12 interest will trump laches only when the suit concerns allegations that the product is
 13 harmful or otherwise a threat to public safety and well being"). There is no evidence
 14 that the DMV.ORG website implicates any such interest.]

15 31. “Unless Congress provides otherwise, courts of equity may, and
 16 frequently do, go much farther both to give and withhold relief in furtherance of the
 17 public interest than they are accustomed to go when only private interests are
 18 involved.” Northwest Environmental Defense Center v. Bonneville, 477 F.3d 668,
 19 680 (9th Cir. 2007) (internal citations and quotations omitted). “Power is thereby
 20 resident in the District Court, in exercising this jurisdiction, ‘to do equity and to
 21 mold each decree to the necessities of the particular case.’” F.T.C. v. H.N. Singer,
 22 668 F.2d 1107, 1112 (9th Cir. 1982), quoting Hecht Co. v. Bowles, 321 U.S. 321,
 23 329 (1944). “It is essential that the trial courts carefully fashion remedies which will
 24 take all the economic incentive out of trademark infringement.” Playboy Enterprises
 25 v. Baccarat, 692 F.2d 1272, 1275 (C.D. Cal. 1982). The Ninth Circuit has held that
 26 the same rationale for awarding profits in trademark infringement suits under the
 27 Lanham Act applies to false advertising claims under the Lanham Act. U-Haul v.
 28

1 Jartran, Inc. 793 F. 2d. 1034, 1042 (9th Cir. 1986).

2 *[Disputed on the grounds that 15 U.S.C. § 1117 provides that monetary relief is for*
 3 *the purposes of "compensation and not a penalty," and that Plaintiffs are not entitled*
 4 *to a windfall. Bandag, Inc. v. Al Bolser's Tire Stores, Inc., 750 F.2d 903, 919 (Fed.*
 5 *Cir. 1984) ("accounting [of profits] . . . is not automatic, and may be denied . . . ,*
 6 *where there has been no showing of fraud . . . , or where . . . 'careful examination of*
 7 *the record fails to reveal . . . that [plaintiff] has lost substantial business and profits*
 8 *as a result of [defendant's] unfair competition.'"); Century 21 Real Estate Corp. v.*
 9 *Re/Max South County, 882 F.Supp. 915, 924-25 (C.D. Cal. 1994) (plaintiff's false*
 10 *advertising claim failed since it could not prove "a logical causal connection*
 11 *between the alleged false advertising and its own sales position"; plaintiff's "mere*
 12 *subjective believe that he will be injured" deemed insufficient); Nikkal Industries*
 13 *Ltd. v. Salton, Inc., 735 F.Supp. 1227, 1238 (S.D.N.Y. 1990) (verdict for defendant;*
 14 *plaintiff failed to prove lost sales were the result of defendant's advertisements*
 15 *rather than other factors such as its marketing strategy and increased competition).*
 16 *Plaintiffs ignore the fundamental tenet of equitable relief, namely that equity should*
 17 *"grant relief no broader than necessary to cure the effects of the harm caused by the*
 18 *violation." Forschner Group v. Arrow Trading Co., 124 F.3d 402, 406 (2d Cir.*
 19 *1997).]*

20 32. In Lanham Act cases, "the courts are given flexibility in fashioning
 21 injunctive relief, and "the scope of the injunction to be entered depends upon the
 22 manner in which plaintiff is harmed, the possible means by which that precise harm
 23 can be avoided, the viability of the defenses raised, and the relative inconvenience
 24 that would be caused to defendant by each of the several means of avoidance.'" Kelley Blue Book v. Car-Smarts, Inc., 802 F.Supp. 278 (C.D.Cal.1992), quoting J.
 25 McCarthy, Trademarks and Unfair Competition, § 30:3 p. 466 (2d ed. 1984).

27 33. A plaintiff does not need to prove the element of actual injury when
 28 seeking injunctive relief. Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134,

1 1145 (9th Cir. 1997); see also Harper House, Inc. v. Thomas Nelson, Inc., 889 F.2d
 2 197, 210 (9th Cir. 1989). Rather, to obtain injunctive relief under the Lanham Act,
 3 plaintiff must show that the advertisement has misled, confused, or deceived the
 4 consuming public. Southland Sod, 108 F.3d at 1140. The relevant inquiry is
 5 “whether it is likely that [defendants’] advertising has caused or will cause a loss of
 6 [plaintiff’s] sales, not whether [plaintiff] has come forward with specific evidence
 7 that [defendants’] ads actually resulted in some definite loss of sales.” Johnson and
 8 Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 190 (2nd Cir. 1980) (“Sound policy
 9 reasons exist for not requiring proof of actual loss as a prerequisite to 43(a)
 10 injunctive relief. Failure to prove actual damages in an injunction suit, as
 11 distinguished from an action for damages, posed no likelihood of a windfall for the
 12 plaintiff. The complaining competitor gains no more than to which it is already
 13 entitled a market free of false advertising.”) “The passage of 43(a) represented a
 14 departure from the common law action for trade disparagement and from the need to
 15 prove actual damages as a prerequisite for injunctive relief. This departure marked
 16 the creation of a ‘new statutory tort’ intended to secure a market-place free from
 17 deceitful marketing practices.” Id. at 189, citing L’Aignon Apparel v. Lana Lobell,
 18 Inc., 214 F.2d 649, 651 (3rd Cir. 1954), and Bose Corp. v. Linear Design Labs, Inc.,
 19 467 F.2d 304, 311 (2nd Cir. 1972).

20 [Disputed on grounds that numerous courts have dismissed false advertising cases
 21 on summary judgment where plaintiffs failed to demonstrate such an actual injury.
 22 Century 21 Real Estate Corp. v. Re/Max South County, 882 F.Supp. 915, 924-25
 23 (C.D. Cal. 1994) (plaintiff’s false advertising claim failed since it could not prove “a
 24 logical causal connection between the alleged false advertising and its own sales
 25 position”; plaintiff’s “mere subjective belief that he will be injured” deemed
 26 insufficient); Nikkal Industries Ltd. v. Salton, Inc., 735 F.Supp. 1227, 1238 (S.D.N.Y.
 27 1990) (verdict for defendant; plaintiff failed to prove lost sales were the result of
 28 defendant’s advertisements rather than other factors such as its marketing strategy